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Twenty-first session

Vienna, 23-25 June 1999

Item 6 of the provisional agenda

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES

Note by the Secretariat

1. The Chairman of the G-77 and China in Vienna, in a note verbale addressed to the Director-General dated 13 April 1999, requested the inclusion of the above item in the provisional agenda of the twenty-first session of the Board.
2. The request for the inclusion of the item, submitted in accordance with the rules of procedure of the Board, was accompanied by the explanatory memorandum reproduced in the annex to the present note. The proposed item is included in the provisional agenda for the session (IDB.21/1).

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Annex

**PROPOSAL FOR THE INCLUSION OF THE ITEM "FINANCING OF THE INTEGRATED
TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES" IN THE
PROVISIONAL AGENDA OF THE TWENTY-FIRST SESSION OF THE INDUSTRIAL
DEVELOPMENT BOARD, 23-25 JUNE 1999**

I. Note verbale

**G-77 VIENNA CHAPTER
OFFICE OF THE CHAIRMAN**

The Chairman of the G-77 and China in Vienna presents his compliments to the Director-General of UNIDO and has the honour, on behalf of the Group, to propose in accordance with rule 11 of the Rules of Procedure of the Industrial Development Board (IDB), for inclusion in the provisional agenda of the twenty-first session of the IDB an item entitled "Financing of the Integrated Technical Cooperation Programmes in developing countries".

The G-77 and China in Vienna wishes to emphasize that the newly transformed UNIDO requires sufficient resources to enable it to implement the Business Plan and the Service Modules. The purpose of this proposal is to enrich, facilitate and enhance the search for methods and ideas which will ensure the availability of adequate financial resources to UNIDO for the delivery of technical cooperation services to developing countries.

The Chairman of the G-77 and China has the honour to further request the Director-General to kindly circulate the attached memorandum of explanation on the proposed agenda item together with the said Note Verbale to all members of the Board.

The Chairman of the G-77 and China avails himself of this opportunity to renew to the Director-General of UNIDO the assurances of his highest consideration.

[signature]

Vienna, 13 April 1999

The Director-General of UNIDO
Mr. Carlos Magariños
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II. Explanatory Memorandum

G-77 VIENNA CHAPTER OFFICE OF THE CHAIRMAN

1. We are requesting the inclusion of this item based on the belief that we should take the lead in promoting the issue of financing of the technical cooperation programmes in developing countries.
2. We are convinced that for the newly transformed UNIDO to accomplish the tasks assigned to it in the Business Plan and the Service Modules, sufficient resources must be made available to enable it to undertake the work successfully. The low level of contributions to the IDF in the last ten years, and the continued inadequacy of financial resources to UNIDO for technical assistance to meet the needs of developing countries remains a source of concern.
3. For this purpose UNIDO has started the implementation of the Business Plan and the Service Modules as a follow-up to the administrative and programmatic reform undertaken by the Director-General. The crucial question is to what extent should the Organization be assisted with the resources to finance its programmes. The operational budget is not sufficient to finance these programmes. Thus, it is now important to examine alternative sources of funds for UNIDO projects. In this regard reference is made to operative para 7 of General Assembly Resolution A/RES/53/177 of 28 January 1999 on the modalities for financing industrial development projects.
4. In pursuance of the implementation of the newly introduced integrated programmes during 1998, eight integrated programmes had been formulated and action is about to be completed for ten more countries in Africa. We understand that the average cost of an integrated programme is about US\$5 million. UNIDO has already committed the amount of US\$3.3 million from its IDDA funds and US\$1.87 million from the Danish contribution to the Industrial Development Fund (totaling US\$5.17 million) for the launching and initial implementation of the technical cooperation programmes already formulated in cooperation with the African countries. The funds allocated by UNIDO will enable it to start the implementation of the programmes already developed in these countries in 1999. The issue now is how to secure the balance of the funds for the programmes already formulated, as well as for those that are being prepared.
5. Likewise these same integrated programmes should be applied to the Latin America and Caribbean Region bearing in mind the specific characteristics, needs and priorities of each country. Efforts should be undertaken in order to assure adequate funding for this vital mission.
6. Integrated programmes are of great interest and importance to the Asian Region. The 37 countries of this Region covered by UNIDO are faced with multifaceted economic and social problems. Despite having adopted outward looking strategies and liberal market oriented policies for integration in the global economy, many of them are suffering economic setbacks as a result of the continuing turmoil in financial and currency markets. The weaker economies of this region particularly the least developed states (of which there are no less than 14 in this region) continue to face great constraints in the realization of their economic aspirations. They need the benefits from UNIDO's Service Modules through Integrated Technical Cooperation Programmes to address low levels of industrialization, low investment rate and marginal FDI inflows. The need to introduce suitable integrated programmes for the Asian Region and to seek adequate funding for these programmes remain important concerns and require concerted efforts.
7. We are aware that the UNIDO Constitution provides that only six per cent of the regular budget of the Organization may be used for promotion of technical cooperation programmes. In view of the current level of

the regular budget itself, this is indeed a paltry sum which may hardly suffice to finance a single integrated programme. We therefore hope that the next IDB session would provide the opportunity for a dialogue to devise new approaches to financing the integrated programmes in the developing countries and urge all Member States of the Organization to seriously consider this issue.

8. The Group of 77 and China takes note of the efforts that the UNIDO Secretariat and Member States have undertaken in this regard, but we believe that a more reliable and predictable system of financing of technical cooperation programmes needs to be established. We hope that the inclusion of this item will facilitate discussion and eventual action which will enable UNIDO to obtain the essential financial resources to ensure that it fulfils its important responsibility in this area.